



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
FINANCE, REVENUE AND BONDING COMMITTEE

February 23, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population. We appreciate this opportunity to testify before you on issues of concern to towns and cities.

Governor's Bill 836, "AA Increasing Certain Bond Authorizations For Capital Improvements."

This bill would implement several of the Governor's proposals for bond authorizations, including (a) implementing her recommendation to reduce the reimbursement scale for school construction projects from a range of 20% to 80% to a range of 15% to 65%, (b) cap reimbursements for magnet school construction at 80% (currently 95%), (c) provide \$90 million in general obligation (grant) bonds in each year of the biennium for clean water fund projects, and (d) \$30 million in each year of the biennium for the Local Capital Improvement Program.

School Construction Grant Reimbursement

CCM urges you to delete the following provisions:

- **Section 6 would reduce reimbursement to municipalities for school construction projects** from the present sliding scale (20% to 80%) to a range of 15% to 65%.

This change would cost towns and cities millions of dollars, a cost that would be disproportionately borne by municipalities that have yet to take advantage of the school construction program, i.e., they would receive less reimbursement than neighboring, or similar, communities that acted sooner.

- **Section 4 would reduce, from 95% to 80%, reimbursement for magnet schools.** This would be a step back from the State's commitment to address racial isolation and disparities that were found as part of the Sheff v. O'Neill case. This change would create a disincentive for municipalities to create the type of magnet schools that help fight racial isolation.

Clean Water Fund

Section 15 of the bill would provide \$90 in general obligation bonding in each year of the biennium for the Clean Water Fund.

We thank the Governor for this proposal, which would continue the progress made in the last biennium to increase (and make constant) funding levels for the Clean Water Fund.

Prior to the last biennium, funding for Clean Water Fund projects had fallen woefully behind. Municipalities depend on the grants provided by general obligation bonds to move forward on projects to clean – and without the grants projects had begun to founder.

Even with grants and low-interest loans local sewer users (residents and businesses) still pay the lion's share of the costs of the project:

- ✓ For example, for a \$10 million project that receives a 20% grant a municipality would receive a grant for \$2 million and a loan for \$8 million. **At the state-subsidized 2% interest rate, the municipality will pay \$9,785,000 after all the loan repayments are made – about 98% of the \$10 million cost.**
- ✓ For a nitrogen-reduction project, a municipality would receive a grant for \$3 million and a loan for \$7 million. **At the state-subsidized 2% interest rate, the municipality will pay \$8,498,840 million after all the loan repayments are made – about 85 % of the \$10 million cost.**
- ✓ Even with a 50% grant level, municipalities are carrying a significant cost burden. After all the loans are paid back, a municipality will still have paid for about 61% of the original project cost.

Municipalities and sewer users pay all of the costs of operating and maintaining the plants. Towns and cities are willing to carry their fair share, but in most cases simply cannot move forward without more help from the State.

We urge you to maintain and, if possible, increase the authorizations proposed in this bill for the Clean Water Fund.

LoCIP

Section 3 would provide **\$30 million** in each year of the biennium for the **Local Capital Improvement Program (LoCIP)**.

The State has maintained its commitment to LoCIP at the \$30 million level since its inception. This program has been used to fund vital infrastructure projects throughout the state.

Some municipalities “bank” the funds from year to year, saving their allocations until they have accumulated enough to do major projects they would otherwise not be able to afford.

The Governor has also proposed, in separate legislation, that municipalities receive a 10% bonus in LoCIP authorizations in years after they have embarked on certain regional projects. However, that funding would come from existing resources, she did not propose an increase – which means if one town gets the bonus, all others would lose.

We urge you to maintain this section and increase the authorization in the second year of the biennium to assure that even if some municipalities receive bonuses under the Governor's proposal, all other municipalities would receive at least the same amount as next year.

Urban Act and STEAP Grants

The Governor proposes increasing authorizations under the Urban Act program by \$30 million in each year of the biennium. That would be a decrease compared to the \$40 million provided for this program in each year of the present biennium. There is no separate new authorization recommended for the popular STEAP program (Small Town Economic Assistance Program) – funded at \$10 million in each year of the present biennium.

As Connecticut struggles in a bad economy, capital investments in economic development are all the more important. This is not the time to step back from those investments. At a minimum, funding should remain constant and, if possible, be increased.

These programs are excellent examples of the way in which the state can make investments in Connecticut's future – to move forward on economic development projects that will benefit not only the communities in which the projects occur, but their regions and the state as a whole. They are excellent examples of the State-Local Partnership in action.

For that reason we urge you to increase the authorizations for these programs.

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If you have any questions, please contact Gian-Carl Casa or Bob Labanara of CCM via email (gcasa@ccm-ct.org, rlabanara@ccm-ct.org) or via phone (203) 498-3000.